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ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana  
ANNUAL FINANCIAL REPORT  
June 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/2/05

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
St. Mary Association for Retarded Citizens, Inc.  
Centerville, Louisiana 70522

We were engaged to audit the accompanying statement of financial position of the St. Mary Association for Retarded Citizens, Inc. (a nonprofit organization) as of June 30, 2004 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management.

Because of inadequacies in the Association's accounting records, we were unable to form an opinion regarding the amount recorded as program service fees in the accompanying statement of activities (stated at \$31,661 for the year ended June 30, 2004).

Since program service fees materially affect the determination of financial position, results of operations, and cash flows, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 21, 2005, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the engagement.

*Guidry, Chauvin & Taylor, CPA's*  
Certified Public Accountants

Franklin, Louisiana  
January 21, 2005

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2004

**ASSETS**

<b>Current Assets:</b>	
Cash and cash equivalents	\$ 8,500
Accounts receivable	
Grants and contracts	5,336
Medicaid/Medicare	17,600
Other receivables	1,204
Prepaid insurance	<u>2,370</u>
Total current assets	<u>35,010</u>
<b>Fixed Assets:</b>	
Buildings and improvements	126,498
Furniture and equipment	67,761
Vehicles	<u>194,099</u>
	388,358
Less: accumulated depreciation	<u>(291,493)</u>
	<u>96,865</u>
Total assets	<u>\$ 131,875</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>	
Accounts payable and accrued expenses	\$ 1,270
Accrued and withheld payroll taxes	<u>974</u>
Total current liabilities	2,244
<b>Non-current Liabilities</b>	<u>-</u>
Total liabilities	2,244
<b>Net Assets:</b>	
Unrestricted net assets	<u>129,631</u>
Total liabilities and net assets	<u>\$ 131,875</u>

The accompanying notes are an integral part of these financial statements.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Unrestricted</u>
<b>SUPPORT AND REVENUE:</b>	
Support:	
Grants and contracts	\$ 118,077
Contributions	<u>19,445</u>
Total support	<u>137,522</u>
Revenue:	
Program service fees	31,661
Membership fees	3,499
Medicaid/Medicare	24,323
Interest income	74
Other	<u>599</u>
Total revenue	<u>60,156</u>
Total support and revenue	<u>197,678</u>
<b>EXPENSES:</b>	
Program services:	
Adult habilitation	238,797
Support services:	
General and administrative	<u>9,828</u>
Total expenses	<u>248,625</u>
Change in net assets	(50,947)
Net assets, beginning of year	<u>180,578</u>
Net assets, end of year	<u>\$ 129,631</u>

The accompanying notes are an integral part of these financial statements.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (50,947)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	32,988
Decrease in accounts receivable	(16,093)
Increase in prepaid insurance	(521)
Decrease in deposits	-
Increase in accounts payable and accrued expenses	<u>(5,404)</u>
Net cash provided by operating activities	(39,977)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	-
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CASH FLOWS FROM FINANCING ACTIVITIES

Payments on capital lease obligation	<u>(731)</u>
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Decrease in cash and cash equivalents	(40,708)
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Cash and cash equivalents, beginning of year	<u>49,208</u>
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Cash and cash equivalents, end of year	<u>\$ 8,500</u>
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Supplemental Information:

Interest Paid	<u>\$ 28</u>
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The accompanying notes are an integral part of these financial statements.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2004

	Program Services		
	Adult Habilitation	General and Administrative	Total Expenses
Salaries	\$ 124,270	\$ -	\$ 124,270
Payroll taxes	9,655	-	9,655
Total salaries and related expenses	133,925	-	133,925
Professional fees	3,273	-	3,273
Supplies	415	-	415
Telephone	2,418	-	2,418
Postage	283	125	408
Transportation	14,510	-	14,510
Conference and meetings	540	-	540
Insurance	25,180	1,769	26,949
Repairs and maintenance	1,004	-	1,004
Interest	-	28	28
Utilities	8,659	-	8,659
Program service supplies	3,735	-	3,735
Miscellaneous	8,828	3,169	11,997
Dues	50	4,737	4,787
Office expense	2,989	-	2,989
Total expenses before depreciation	205,809	9,828	215,637
Depreciation expense	32,988	-	32,988
 Total expenses	 <u>\$ 238,797</u>	 <u>\$ 9,828</u>	 <u>\$ 248,625</u>

The accompanying notes are an integral part of these financial statements.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

St. Mary Association for Retarded Citizens, Inc. operates a non-profit school located in Centerville, Louisiana. The Association provides adult day services to the mentally retarded adults of St. Mary Parish. Individuals perform a wide variety of vocational activities such as recycling, horticulture, and janitorial. The Association is supported primarily through a grant from the Louisiana Department of Health and Hospitals - Office for Citizens with Developmental Disabilities. This contract is funded with 100% State General Funds.

Income Tax Status

St. Mary Association for Retarded Citizens, Inc. is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase. At June 30, 2004, there were no cash equivalents.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Property and Equipment

Property and equipment are capitalized at cost. It is the Association's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. Depreciation is computed using the modified accelerated cost recovery system over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2004

Contributed Service

During the year ended June 30, 2004, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Association at the center, but these services do not meet the criteria for recognition under SFAS No. 116, "Accounting for Contributions Received and Contributions Made".

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

The Association has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Support and Revenue

St. Mary Association for Retarded Citizens, Inc. entered into a contract with the Louisiana Department of Health and Hospitals - Office for Citizens with Development Disabilities to provide habilitation services to mentally retarded adults in St. Mary Parish. Grant funds are paid monthly to the Association on a per diem basis until the contract amount is reached. Once the contract amount is reached, no more funds are disbursed to the Association. The Association files a monthly report of allowable expenses with the Office for Citizens with Development Disabilities. Allowable expenses are determined by the Office for Citizens with Development Disabilities.

The Association receives program service fees from janitorial services, recycling programs, and selling of second hand items. The Association also received Medicare payments for billable client services. Support and revenue are recognized when earned.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 2: SUMMARY OF GRANT FUNDING

St. Mary Association for Retarded Citizens, Inc. was primarily funded through the following grants for the period July 1, 2003 to June 30, 2004:

<u>Funding Source</u>	<u>Grant Contract Number</u>	<u>Grant Contract Period</u>	<u>Total Grant/ Contract</u>	<u>Recognized Support</u>
Louisiana Department of Health and Hospitals	583058	7/1/03 - 6/30/2004	\$ 118,077	\$ 118,077

NOTE 3: ACCOUNTS RECEIVABLE

As of June 30, 2004, accounts receivable was comprised of:

Grants and contracts:	
Louisiana Department of Health and Hospitals	\$ 5,336
Medicaid/Medicare:	
Louisiana Department of Health and Hospitals	17,600
Other receivables:	
Employees	1,204
Total accounts receivable	\$ 24,140

NOTE 4. OTHER

In August 2004, the Association's former executive director was arrested and charged with misappropriation of Association assets. Specifically, the former executive director made personal purchases using the Association's fuel credit card and another store credit account. Additionally, the former executive director received two additional payroll checks outside of the Association's normal payroll cycle. In January 2005, the former executive director plead guilty to misappropriation of Association assets and was ordered to pay restitution to the Association.

In an unrelated matter, an internal investigation by the Association's board revealed that a portion of the cash collections of program revenues were apparently not deposited. The board has estimated that approximately \$5,000-7,000 was not deposited. The board's findings were turned over to the local district attorney who investigated the claims. The district attorney investigated the claims and determined that additional action was not warranted due to a lack of evidence as to what became of the funds.

**Independent Auditor's Report Required  
By *Governmental Auditing Standards***

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of  
St. Mary Association for Retarded Citizens, Inc.  
Centerville, Louisiana 70522

We were engaged to audit the financial statements of the St. Mary Association for Retarded Citizens, Inc. (a non-profit organization) as of and for the year ended June 30, 2004. We did not express an opinion on the financial statements because we were unable to perform the necessary audit procedures to satisfy ourselves as to the completeness of program service fee revenues. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the St. Mary Association for Retarded Citizens' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on *compliance with those provisions was not an objective of our audit, and accordingly, we do not express* such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying summary of auditor's results as items 2004-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Mary Association for Retarded Citizens' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Association's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying summary of auditor's results as items 2004-2, 2004-3, 2004-4, 2004-5 and 2004-6.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the items noted above to be material weaknesses.

This report is intended solely for the information and use of the board of directors of the St. Mary Association of Retarded Citizens, its management and its grantor agencies and is not intended to be and should not be used by anyone other than those specified parties. However, under Louisiana Revised Statute 24:513, the Legislative Auditor will distribute this document as a public record.

*Guidry, Chauvin & Taylor, CPA's*  
Certified Public Accountants

Franklin, Louisiana  
January 21, 2005

**Supplemental Information  
Schedules**

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2004

There were no findings disclosed in the prior year audit.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2004

We were engaged to audit the accompanying financial statements of the St. Mary Association for Retarded Citizens, Inc. (a non-profit organization) as of and for the year ended June 30, 2004. We did not express an opinion on the financial statements because we were unable to perform the necessary audit procedures to satisfy ourselves as to the completeness of program service fee revenues. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Section I: Summary of Auditor's Reports**

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses  Yes \_\_\_ No Reportable Conditions  Yes \_\_\_ No

Compliance

Compliance Material to Financial Statements  Yes \_\_\_ No

b. Federal Awards

The Association did not receive any federal awards for the year ended June 30, 2004.

**Section II: Financial Statement Findings**

2004-1 Report Filing

Finding: The financial report for the year ended June 30, 2004 was not filed with the Legislative Auditor's office within six months of the close of the fiscal year as required by law.

Cause: Information needed to accurately complete the financial report was not available in order to allow for the timely completion of the audit.

Recommendation: We recommend that every effort be made to assure the information needed for the timely completion of the engagement is available.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2004

2004-2 Segregation of Duties

Finding: The Association does not have adequate segregation of duties within its accounting and financial functions.

Cause: Due to the limited number of personnel performing administrative functions, the same person within the Association checks the mail, writes checks, reconciles the bank statement and enters information into the general ledger.

Recommendation: The Board is aware of this inadequacy and has concluded that the cost of hiring additional personnel to achieve complete segregation of duties would exceed the benefits. No additional response is deemed necessary.

2004-3 Lack of Control Over Disbursements

Finding: The Association's internal control over the authorization for purchases and payroll and the related cash disbursement is deficient.

Recommendation: We recommend that, due to the lack of appropriate segregation of duties, the Board should exercise closer oversight over the functions of authorizing purchases, approving expenditures and payroll, and the related cash disbursements. This can be accomplished by steps such as requiring the board to review and approve expenditures at a board meeting and requiring that all checks have at least one board member signature.

2004-4 Failure to Deposit Funds Timely

Finding: The Association has not deposited its cash collections on a regular basis. Cash collections from transportation, pecans, thrift store, etc. were received but not deposited into the bank immediately. Some deposits were not made for weeks after collection. This practice of having undeposited cash on hand heightens the risk that the funds could be misappropriated.

Recommendation: We recommend that the Association deposit its collections (less an appropriate amount to be used for change) on a regular basis so as to prevent large sums of cash from being on hand at the Center.

2004-5 Lack of Policy Covering Telephone (Cellular and Landline) Use

Finding: The Association lacks a formal policy prohibiting employees from making personal long-distance phone calls or receiving collect calls on Association phones. Additionally, the Association lacks a formal policy covering cellular phone use.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2004

2004-5 Lack of Policy Covering Telephone (Cellular and Landline) Use (Continued)

Recommendation: We recommend that the Association adopt and distribute to its staff a policy prohibiting the use of Association telephones to make personal long-distance telephone calls. Also, the policy should provide remedies in the event of incidental violation of the policy (reimbursement of cost) as well as penalties for willful disregard. Additionally, we recommend that the Association adopt and distribute to its staff a policy covering the use of Association owned cellular phones. We recommend that the policy state that the use of cellular phones should be for Association business only. Also, the policy should contain appropriate remedies for incidental personal use (reimbursement of cost) and penalties for willful disregard.

2004-6 Inadequate Financial Information to Board

Finding: Adequate financial information is necessary in order for the Board to make appropriate financial decisions regarding the operation of the Association. The data being provided to Board members is not sufficient to allow the Board to assess the status of the Association's operations and financial position.

Recommendation: We recommend that the Association provide the Board, on a monthly basis, a statement of financial position and a statement of activities reflecting the current period as well as cumulative fiscal year-to-date results.

**Section III: Federal Awards Findings and Questioned Costs**

The Association did not receive any federal funds during the year ended June 30, 2004.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.

Management's Response and Corrective Action Plan for Current Year Findings  
For the Year Ended June 30, 2004

2004-1 Report Filing

We agree with the auditor's recommendation. Numerous problems were encountered in the audit of the financial statements for the year ended June 30, 2004. Among the problems were missing bank statements and check stubs, disbursements with no supporting documentation, unidentified deposits, missing deposits, etc. Along with these problems, the general ledger had not been kept up to date. This required significant time to go back and post the entire year's transactions. Currently, the general ledger is up-to-date using a computerized accounting package. The Board receives monthly financial statements. All supporting records are filed and readily accessible to ensure that the audit for year ending June 30, 2005 can be scheduled and completed in a timely manner.

2004-2 Segregation of Duties

The Board has determined that it is not feasible to hire additional personnel. At the present time the Director is handling the duties under the oversight of the Board.

2004-3 Lack of Control Over Disbursements

We agree with the auditor's recommendations. The present personnel submit a report of disbursements and deposits at the monthly board meeting. Payroll is reviewed by at least one board member and all checks have a designated board member signature. The accounting books are readily available to any board member for review.

2004-4 Failure to Deposit Funds Timely

We agree with the auditor's recommendations. Deposits are made on a regular basis, whether cash or checks, so as not to have large sums of money on hand at the Center.

2004-5 Lack of Policy Covering Telephone Use

We agree with the auditor's recommendations. It is noted in the employee handbook that personal long-distance or collect calls are prohibited. The cellular phones presently in use are in the vehicles that provide transportation for the individuals attending the Center. These phones are to be used in emergency situations and for notification of client family members. It is noted that should these phones be used for personal use, the charges will be reimbursed to the Center.

2004-6 Inadequate Financial Information to Board

We agree with the auditor's recommendations. The Director provides a monthly statement of activities reflecting the current period. They are also provided a trial balance on a quarterly basis. Also, the Director reports all income received for the prior month and the source of this income.